

WELCOME

Welcome to our February 2020 edition of the StewartBrown newsletter. We hope to keep you informed of the important tax developments and issues affecting taxpayers and businesses in Australia today.

END OF AUSKEY- MARCH 2020

If you or your business have historically been using AUSKey to access Government portal and websites, you will need to make changes before March 2020 as Auskey is being decommissioned. The new replacement service is called myGovID. It will continue to be a secure login that identifies an individual operating on behalf of a business when using Government online services.

The ATO is managing the new myGovID credential exclusively on behalf of Government after being chosen as the Commonwealth's identity provider earlier last year.



myGovID is being launched in conjunction with a new authorisation service called Relationship Authorisation Manager ("RAM") that allows users to link myGovID to an ABN and manage who is authorised to act on a business's behalf.

To support the transition from AUSKey, RAM is now connected to Access Manager. This means when a user authorises a person to act for a business using RAM, they can set their permissions for ATO online services in Access Manager at the same time.

The ATO says this new solution will deliver a high level of confidence in the accuracy of the client's identity through biometric matching to documents issued by trusted Australian third parties (such as driver's licences and passports).

myGovID has been developed as a whole-of-government digital identity solution, which will overcome the mobility and access limitations of AUSKey. It is available as a free downloadable app so holders will be able to securely access Government services anytime, anywhere and on any device.

AUSKey will continue to be supported during the transition to myGovID, however it is being decommissioned by the end of March 2020. To prepare for the change, you should:

- check your Australian business number (ABN) details are up-to-date in the Australian Business Register (ABR) — this ensures the right people can act on behalf of the business
- if you have an Administrator AUSKey, check if other nominated AUSKey users are still correct.

The following link will show you how to setup your MyGovID and explain what is required:

<https://www.mygovid.gov.au/how-do-i-get-set-up>

If you need any assistance or advice in changing over from Auskey to the MyGovID sign in please contact our office. The new system is up and running now so we would encourage you to make the switch sooner rather than later.

CAPITAL GAINS TAX CHANGES – NON RESIDENTS & THE MAIN RESIDENCE EXEMPTION

In most circumstances, you don't pay Capital Gains Tax ("CGT") if you sell the home you live in (under the main residence exemption). In the past you have also been able to leave your home here in Australia for up to six years whilst living/working overseas, rent that property out and as long as you moved back in to your home or sold it within six years, any capital gain that you made when selling would generally be tax free. This assumes that you had not rented the property out prior to making it your principal residence. In that case the pro-rata rules apply. If you had never rented the property out during your absence there was no six year time limit applicable.

This has now changed and has major consequences for Australian expats living abroad who have kept their former homes here in Australia. The change only applies if you are **not an Australian resident for tax purposes** at the time of the disposal (when you sign the contract to sell the property).

There are now special CGT rules you need to know if you're a foreign resident for tax purposes. (Note: If you're not sure of your tax residency please contact us for clarification).

These rules will impact you when you sell residential property in Australia. The tax law changes (effective 12 December 2019) mean you can no longer claim the CGT main residence exemption unless, when a CGT event happens to your residential property in Australia, you were a foreign resident for tax purposes for a continuous period of six years or less **and** during that time one of the following occurred:

- you, your spouse, or your child under 18, had a terminal medical condition
- your spouse, or your child under 18, died
- the CGT event involved the distribution of assets between you and your spouse as a result of your divorce, separation or similar maintenance agreements.



The change applies to foreign residents for tax purposes as follows:

- For property held prior to 7:30pm (AEST) on 9 May 2017:
 - o the CGT main residence exemption can only be claimed for disposals that happen up until 30 June 2020 and only if they meet the other requirements for the exemption.
 - o disposals that happen from 1 July 2020 are no longer entitled to the CGT main residence exemption unless certain life events (listed above) occur within a continuous period of six years of the individual becoming a foreign resident for tax purposes
- For property acquired at or after 7:30pm (AEST) 9 May 2017:
 - o the CGT main residence exemption no longer applies to disposals from that date unless certain life events (listed above) occur within a continuous period of six years of the individual becoming a foreign resident for tax purposes.

The most drastic part of this legislation is that foreign tax residents no longer receive recognition for the period that they lived in the property before they moved overseas (ie no pro-rata of the gain recognising the principal residence component).

Apart from selling before 30 June 2020, the only other way to avoid the impact of these rules is to return to Australia

and become an Australian tax resident again before selling, in which case the main residence will remain available at least on a pro rata basis.

These changes to the CGT main residence exemption, together with the removal of the 50% CGT discount for foreign residents several years ago as well as the non-resident CGT withholding tax, reflect the strong stance by the Government to curb concessions provided to foreign residents in respect of housing in Australia.

These issues can be complex and as they involve property can be quite expensive if you get it wrong. Please consult with your StewartBrown Manager or Partner if these circumstances apply to you.



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